

OFFICIAL FILE

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Joint Applicants' Amended Attachment 1.3

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Late Filed Attachment 1.3 to Joint Applicants' Exhibit 1.00

Date 11/30/00 HE SA

Joint Applicants' Commitments

1. ~~Joint Applicants shall make investments in the Frontier Illinois ILECs for the year 1999 in at least the amount of \$2,500,000 and for the year 2000 in at least the amount of \$3,000,000. Joint Applicants shall make additional investments in the Frontier Illinois ILECs for the years 2001-2003, averaged over the three year period, in at least the average amount of \$1,750,000 per year. The Frontier Illinois ILECs shall report their annual investments to Staff following each of the years 1999 2001 through 2003.~~
2. ~~For three years from the closing of the reorganization~~ Until September 28, 2002, Joint Applicants commit to maintain at least the same number of Illinois based employees who are employed by the Frontier Illinois ILECs collectively on the date of the closing of the reorganization.
3. ~~For three years from the closing of the reorganization~~ Until September 28, 2002, Joint Applicants commit to maintain all existing business and customer service offices in Illinois.
4. Joint Applicants commit to continuing to comply with all applicable laws, rules and regulations governing 9-1-1 service. The Frontier Illinois ILECs will continue to maintain their 9-1-1 network to provide transparent service and to provide data base updates when necessary and as often as daily. The Frontier Illinois ILECs shall continue to work and cooperate with 9-1-1 systems (including any new 9-1-1 systems), other carriers involved in the provisioning of the 9-1-1 networks, and Staff to ensure the reliability of 9-1-1 service. The Frontier Illinois ILECs shall maintain at least one employee within Illinois with the expertise and knowledge regarding Illinois 9-1-1 service. The reorganization shall not affect 9-1-1 service to Illinois customers.
5. The Frontier Illinois ILECs shall comply (or take all necessary actions to achieve compliance) with 83 Ill. Admin. Code Part 730-Service Quality Standards.
6. The Frontier Illinois ILECs shall provide semi-annual reports to the Staff ~~for two years following the closing of the reorganization until September 28, 2001~~ providing service quality statistics relative to 83 Ill. Admin. Code Part 730.
7. The quality and reliability of all services provided in Illinois by the Frontier Illinois ILECs are of vital concern to Illinois customers and to the Illinois public. The Frontier Illinois ILECs and Joint Applicants, to the extent their participation or assistance may be necessary and appropriate, shall have first and principal authority for assuring that the quality and reliability of all such services are in no way slighted or compromised at any time following consummation of the transaction. These parties, and each of them,

commit and agree, fully and without reservation, that the quality and reliability of all such services shall in all respects and at all times following consummation of the transaction be preserved or enhanced.

8. The Frontier Illinois ILECs shall match their customers' voluntary contributions to the UTSAP ~~during the two years following the closing of the merger transaction, until September 28, 2001~~ up to a maximum of \$5,000. These costs ~~for the two years until September 28, 2001~~ and associated administrative expenses will not be billed back to the UTSAP or charged to the ratepayers.
9. The Frontier Illinois ILECs shall offer new regulated services in Illinois that other Frontier ILECs offer in other jurisdictions, where Frontier determines that such services have a financially viable market and are technologically feasible in the individual Frontier Illinois ILEC territories.
10. After the ~~merger~~ transaction, the Frontier Illinois ILECs shall receive no less consideration and priority in the development and offering of new services and the investment of capital than ~~they received from Frontier Corporation prior to the merger~~ other Citizens properties receive.
11. The Frontier Illinois ILECs shall comply with all applicable Commission and Federal Communications Commission regulations and orders regarding access to ILEC services for persons with disabilities. The Frontier Illinois ILECs shall affirmatively contact groups representing disabled Illinois customers and shall work with these groups, Commission Staff and individual disabled customers on issues related to access for persons with disabilities with respect to their Illinois ILEC services.
12. The Frontier Illinois ILECs shall continue their current review of a simplified bill format in light of Commission and Federal Communications Commission regulations and orders. ~~Commission Staff will be provided with a draft of a proposed bill format within six months of the closing of the reorganization.~~
13. The Frontier Illinois ILECs shall increase their consumer education and outreach initiatives following the closing of the ~~merger~~ transaction. The Frontier Illinois ILECs shall provide such education and outreach literature in advance to Staff for input and review prior to distribution ~~for the first three years following the closing of the merger transaction until September 28, 2002.~~ The consumer education program will be reviewed with Staff at the end of the ~~three-year~~ period. Any increased costs will not be charged to ratepayers.
14. Staff shall be granted access to all books, accounts, records and personnel of ~~Global Crossing Ltd., Frontier Corporation~~ Citizens, each of the Frontier Illinois ILECs and all their utility and non-utility affiliated parent, sister and subsidiary companies, as well as

independent auditors' workpapers.

15. Each of the Frontier Illinois ILECs shall continue to comply with 83 Ill. Admin. Code Part 712.
16. Joint Applicants agree and commit that the cost of capital, as reflected in the Frontier Illinois ILECs' rates, shall not be adversely affected by ~~Global Crossing Ltd.'s acquisition of Frontier Corporation~~ Citizens' acquisition of the Frontier Illinois ILECs' parent holding company. Joint Applicants also agree and commit that, subsequent to the completion of the ~~merger transaction~~, the cost of capital for the Frontier Illinois ILECs in any future earnings analysis or rate base/rate of return case shall be set commensurate with the risk of the Frontier Illinois ILECs exclusive of any ~~merger transaction~~ effects. Joint Applicants agree and commit that they will not oppose, in either a regulatory proceeding or an appeal of a decision by the Illinois Commerce Commission, the application of the principle that the determination of the cost of capital shall be based solely on the risk attendant to the regulated operations of the Frontier Illinois ILECs. Any declines in ~~Frontier Corporation's~~ Citizens' credit ratings caused by the ~~merger transaction~~ or its announcement shall be quantified by Joint Applicants in any future earnings analysis, or rate base/rate of return case and adjusted as if such declines did not occur. Joint Applicants agree and commit to the use of any imputed or hypothetical capital structure in any future earnings analysis, or rate base/rate of return rate case, if necessary to reflect the cost of capital for the Frontier Illinois ILECs without the effects of the ~~merger transaction~~.
17. Joint Applicants shall not allow any affiliate of the Frontier Illinois ILECs, including Joint Applicants, to obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the Frontier Illinois ILECs' assets. The financial arrangements of all affiliates of the Frontier Illinois ILECs, including Joint Applicants, are subject to the following restrictions:
 - a. Any indebtedness incurred by an affiliate, including Joint Applicants, will be without recourse to the Frontier Illinois ILECs.
 - b. The Frontier Illinois ILECs shall not enter into any agreements under terms whereby any Frontier Illinois ILEC is obligated to commit funds in order to maintain the financial viability of an affiliate, including Joint Applicants.
 - c. The Frontier Illinois ILECs shall not make any investment in an affiliate, including Joint Applicants, under circumstances in which the Frontier Illinois ILECs would be liable for the debts and/or liabilities of an affiliate incurred as a result of acts or omissions of an affiliate, including Joint Applicants.

- d. The Frontier Illinois ILECs shall not issue any security for the purpose of financing the acquisition, ownership, or operation of an affiliate, including Joint Applicants.
 - e. The Frontier Illinois ILECs shall not assume any obligation or liability as guarantor, endorser, surety or otherwise with respect to any security of an affiliate, including Joint Applicants.
 - f. The Frontier Illinois ILECs shall not pledge, mortgage or otherwise use as collateral any assets of any of the Frontier Illinois ILECs for the benefit of an affiliate, including Joint Applicants.
 - g. Joint Applicants shall assure that rates to the regulated service customers of the Frontier Illinois ILECs are not increased by reason of the effects of credit rating declines or other adverse consequences caused directly by the ~~merger transaction~~.
 - h. An affiliate, including Joint Applicants, shall not incur debt or pledge the stock of the Frontier Illinois ILECs, or any of them, in any manner that on the affiliate's default would permit a creditor to have recourse against the regulated assets of the Frontier Illinois ILECs.
18. Fund transfers from any Frontier Illinois ILEC (Company, or collectively Companies) to affiliated companies during any calendar year shall not exceed free cash flow for the most recently completed calendar year.

"Fund transfers" shall be defined as the amount of common dividends, stock repurchases or other funds directly or indirectly invested, loaned or advanced to affiliated companies. However, "fund transfers" excludes advances to the holding company pursuant to the Cash Management Agreement approved by the Commission in Docket No. 90-0271 on September 11, 1990.

"Free cash flow" shall be defined as the Companies' net cash from operations, including changes in working capital, less construction expenditures, less maturing debt, less mandatory redemptions of debt and preferred stock, plus capitalized interest (AFUDC), plus any undistributed free cash flow, less net cash advanced during the year to the holding company pursuant to the Cash Management Agreement approved by the Commission in Docket No. 90-0271 on September 11, 1990. For the purpose of this test, free cash flow for the Companies shall be aggregated.

"Undistributed free cash flow" shall be defined as free cash flow, less fund transfers, plus the balance of undistributed free cash flow at the end of the

preceding year. For the purpose of this calculation, the balance of undistributed free cash flow as of December 31, 1997 shall equal the balance of cash and cash equivalents on hand as of that date.

The construction expenditures amount to be reflected in the calculation of free cash flow will be the greater of the combined Companies' annual construction budget for the following calendar year or the "capital spending availability commitment" to be established as follows for the following calendar year. For purposes of this calculation, the capital spending availability commitment shall be ~~a minimum of \$2.7 million in 1999; a minimum of \$3.0 million in 2000;~~ a minimum of \$1.75 million in 2001 and an amount for each year following 2001 established by the following formula:

$$\frac{(\text{Capital Spending Availability Commitment}_{n-1})(\text{GDP chain - type price index}^*_{n-2})}{\text{GDP chain - type price index}^*_{n-3}}$$

where n = the year for which the capital spending availability commitment is to be established. *Indicates Fisher chained index as released by the Bureau of Economic Analysis as of August 1, of the year $n-1$.

If the Companies believe that the above formula produces an unreasonable result for any year following 2001, the Companies may petition the Commission for appropriate relief.

Within 30 days following each relevant transaction as specified above (excluding transactions pursuant to the Cash Management Agreement), the Companies shall submit an informational report to the Commission's Director of Finance and the Manager of the Telecommunications Division showing compliance with the financial test including a cash flow statement and supporting calculations.

If ~~Global Crossing's~~ ~~Citizens'~~ senior debt is rated at least Baa2 by Moody's or its successors or BBB by Standard & Poor's or its successors, or if no Frontier Illinois ILEC is owned or controlled by ~~Global Crossing Ltd. Citizens~~, upon notification of the Office of the Chief Clerk, the Director of Finance and the Manager of the Telecommunications Division, compliance with the test will not be necessary and the submission of informational reports may be suspended.

19. Each of the Frontier Illinois ILECs will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois telecommunications

carriers. ~~Global Crossing Ltd. Citizens~~ shall take all necessary action to make management and operational personnel knowledgeable concerning applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois telecommunications carriers. ~~Any consequences flowing from the parent company being a Bermuda corporation shall have no effect or impact on the Frontier Illinois ILECs.~~

20. Each of the Frontier Illinois ILECs shall not propose local rate increases for price regulated services as a direct result of the reorganization ~~for a period of three years until September 28, 2002~~ following the completion of the reorganization. The above condition would not prevent any revenue neutral rate increase proposals unrelated to the reorganization, such as separations reform, new universal service contribution requirements, the continuation of current levels of universal service support from universal service type funds such as the Illinois High Cost Fund or DEM Weighting Fund, access charge reform, natural disasters, rate rebalancing, government mandates or jurisdictional allocation changes.
21. Joint Applicants agree to insulate the customers of the Frontier Illinois ILECs from any adverse impact on the rates, services ~~of or~~ service quality of the Frontier Illinois ILECs resulting directly from the ~~merger transaction~~.
22. Unless and to the extent explicitly approved in advance by the Commission, Joint Applicants shall not, for ~~accounting rate making~~ purposes, charge any of the following expenses to the Frontier Illinois ILECs ~~or to any other regulated Illinois utility~~:
 - a. ~~merger~~ transaction costs including, but not limited to, fees and expenses of financial advisors, consultants or lawyers, filing fees, joint proxy costs, and the costs of securing regulatory approval of the transaction;
 - b. ~~merger~~ implementation costs including, but not limited to, employee retention payments, change in control payments, severance costs, relocation costs and system integration costs;
 - c. acquisition adjustment, transaction premium or goodwill amortization arising from the proposed transaction;
 - d. Joint Applicants' or any affiliate's contributions to civic, political, educational or charitable organizations;
 - e. ~~any administrative or other costs from off shore operations or employees, absent specific prior written approval of the Commission.~~